

Competencies, Training, and Performance Appraisal

**A Submission to the Institute of IT Training
THE IT TRAINING AWARDS - 2003**

For the category of

Project of the Year (External)

Training Organisation and Contact

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1. Overview

Charles Stanley and Company Limited is one of the oldest and best-known firms of Stockbrokers in the country. The firm employs 650 people in London and a further 100 in 20 branch offices nationwide.

The Financial Services Authority (FSA) regulates the firm and compliance is an absolute necessity for the firm to be allowed to trade. These regulations are law and failure to comply is akin to driving a car without a license or insurance.

In December 2001, the FSA introduced new regulations (generally known as 'N2') governing Competencies, Training, and Performance Appraisal, for those Directors and Staff fulfilling one or more 'FSA controlled functions'. In the case of Charles Stanley, these regulations would affect almost 90% of the employees.

In November 2001, Stehle Associates bid for the provision of training and consulting services that would enable Charles Stanley to achieve compliance by July 2002. After considering a number of options, including those offered by software houses and management consulting firms, Charles Stanley awarded a contract to Stehle Associates. The contract was for the development and implementation of a performance appraisal process, training for all managers and staff in the process and the conduct of Performance Appraisal, an Information System to support the process, and training in the use of the system for HR staff. This was a bold and critical decision for the firm and one that required the support of the Chairman and the most senior members of the Board.

Charles Stanley had no IT systems or processes in place that could be adapted or grown to satisfy the requirement. Long before any training could begin it was necessary to understand the needs and to specify the business processes and technology that would enable Charles Stanley to satisfy the requirements of the FSA. After the specifications had been agreed, and while the system was being developed, the Stehle Associates consultants developed the training methods and training materials that were required. Once the computer system became operational, training using live workshops, videos, and reference materials, was conducted to enable every employee, including the Directors, to implement the Performance Appraisal system. The data for the information system to record and then to report in a form acceptable to the FSA, is a by-product of this process.

The project management, the development of the system and the transfer of knowledge and skills was a major exercise involving Human Resources, the Information Technology group, and three consultants from Stehle Associates. The economic climate and market conditions that prevailed during this project meant that project costs were to be kept to a minimum and that the business suffer the absolute minimum of disruption during the entire duration of the work. Without the influence of the FSA, no company in the financial services sector would have chosen to conduct this project at this time. Not only did Charles Stanley reach the goal of compliance with N2 by July 2002, but also reached it at a cost some 80% below the costs incurred by other organisations. This submission describes how this was achieved.

2. Objectives

Mark Carlile, Charles Stanley's Head of Human Resources, and Stehle Associates worked together to define the outcomes for the project. These were expressed in the Initiation Document for the project as:

The purpose of this project is to allow Charles Stanley and Company Limited to demonstrate compliance with the terms of the Financial Services Act (N2) with respect to competencies and human resources development. Key outcomes of the project are:

- A Performance Appraisal process for management, staff, and self-employed brokers
- Management trained in how to conduct a Performance Appraisal
- A computer system that will drive the processes and manage the data for competencies, performance appraisal, and staff development
- Core and job-specific competencies for every employee (exceeds the requirements of N2)
- Tracking against budget the time spent by staff on Continuous Professional Development (exceeds the requirements of N2)
- Mechanisms that show that appraisals have been conducted properly and fairly
- A method whereby training needs are aligned to competencies – a competency-facing organisation
- Staff development plans that, when implemented, raise the competency level of the entire organisation
- The ability to measure performance through the introduction of personal objectives for the next period to be reviewed
- Information that next year will drive the review of salaries and bonuses
- Recruitment processes and HR planning aligned to the competencies required

Charles Stanley also set the following project constraints:

- The design, development of all processes, development of the software and training of every employee to be completed by end of June 2002
- The first annual appraisal to be complete by November 2002
- A budget of £50,000 for the development of all processes and the training of all employees in performance appraisal
- A budget of £20,000 for all information systems development and training
- No more than a half day of classroom training for directors and managers at head office
- No more than a half day of classroom training for head office staff and branch managers
- No classroom training for staff at branches
- No reports of disruption to the business by any Director, manager or member of the professional staff
- On completion, the project would serve as a model (case study) in Project Management and be used by Charles Stanley in the training of new staff in project management methods and techniques

3. Strategy

The strategy that enabled Stehle Associates to achieve the objectives, had seven key features:

i) Project Orientation – The entire project was planned and executed using the methods and techniques taught on the Training Foundation’s course entitled Managing Training Projects. A project board was formed consisting of the Chairman and Managing Director, two other Directors, the Head of HR, the Compliance Manager and Grahame Stehle of Stehle Associates, who acted as project manager throughout the programme. A milestone plan was constructed to show what deliverables would be produced, by when, and what measurable characteristics these should have so that their quality could be assessed before moving on to the next step in the plan.

ii) Subject Matter Experts – Dr Tony Miller FCIPD, an independent consultant and associate of Stehle Associates, worked closely with Mark Carlile to ensure that the requirements of the FSA and the needs of Charles Stanley were correctly understood by members of the development and training team. All aspects of process design and training that required knowledge of HR law and best practices, were the responsibility of Dr Miller.

Grahame Stehle, an experienced business analyst, information systems trainer and project manager, specified the IT system and worked closely with the developer to ensure that the system would be easy to understand and use by members of the HR team. Grahame also described the business processes and compiled and wrote all of the training materials and scripts.

Lisa Jones of Stehle Associates and Brian Harris of Charles Stanley IT worked together to create, out of nothing, a video production unit that was capable of producing good quality videos for 30% of the cost of using professional facilities from outside.

iii) Managing Risk – Unlike many training projects, here the project team was defining the business solution, the IT support for this solution, and all the training for the solution in an environment where there were no existing systems or processes in place. Such an all-encompassing project presents many risks and to mitigate these Stehle Associates developed a formal risk assessment and then maintained a risk register. This was monitored continuously throughout the project. Every aspect of the project from Project Initiation, through development and to implementation and training had to be assessed for risk and managed so that the probability and/or impact of the risk was minimised. This continuous focus on risk meant that we always kept sight of the principal outcome required – the capability to exhibit a compliant performance appraisal and competencies system by June 2002.

iv) Innovation and Flexibility – With 700 people to train over a period of two months, and in the diverse capabilities of performance appraisal and the use of an information system, training methods that were both quick and effective were employed. Methods had to be practical and acceptable during a period when the business climate was difficult and when trading conditions required the undivided attention of management and staff. The number of branches, their location, and the relatively low numbers of staff, meant that live training was not an option that could be considered for some of the staff.

The time allowed for classroom training as one of the project constraints was recognised to be tight. The severe business conditions experienced by Charles Stanley during the project gave rise to a need to reduce this time still more – to no more than two hours for directors and managers at head office, and to no more than one hour for head office staff and branch managers. This put further pressure on the design of the training programme and its delivery.

Because the regulations were new, and because the processes required were also new to Charles Stanley, off-the-shelf training products did not exist. In any case, the entire concept of performance appraisal was new to the firm. To address each of these issues, training was delivered through a carefully selected variety of mechanisms, chosen to achieve the outcomes whilst minimising cost and disruption.

1. Instructor-led sessions on the new appraisal process and documentation lasted no longer than two hours for Directors and Managers, and one hour for Staff. All such training sessions occurred at lunchtime or on the back of other meetings. A buffet lunch and refreshments were provided.
2. Live training sessions were filmed and made available to all managers and staff through a facility called Enfocast. This is accessed via the corporate INTRANET and was introduced by the IT division with a view to testing its suitability for delivering video based training to the desktop. The Training and Competencies team recognised the exciting possibility of using Enfocast as the delivery mechanism for training employees at the branches. The opportunity was seized and contributed significantly to keeping the cost of this project to below budget. As a result, Enfocast has been adopted by Charles Stanley and, as well as the materials pertaining to this project, other training produced by the Securities Institute is now available to any employee wherever they are located in the company.
3. One subject-specific video (How to set SMART Objectives) was written and produced by members of the project team. For all bar one of the team this was a new experience requiring new skills and knowledge. The video shows Directors and Managers how to set business-oriented objectives for members of their team. The video supports a key business requirement – that all employees engaged in internal projects are implementing the strategy and tactics decided annually by the Charles Stanley Board of Directors.
4. Most of the instructor-led training was delivered at the time of the World Cup Football matches in Japan and Korea. To achieve immediate interest and buy-in by the audience (sometimes as many as 30 people) in the subject of performance appraisal, examples and exercises in the training material were based on the performance of the England Team and in particular its captain, David Beckham. This aspect of delivery held the audience's attention throughout the session and was enthusiastically received by both lovers and haters of the game.
5. Every employee received a handbook describing both the appraisal process and the roles and responsibilities of the appraiser and the appraised. Copies of all training materials were distributed and also made available via the corporate INTRANET.
6. An email help line was set up – trainingandcompetencies@charles-stanley.co.uk. Any questions or concerns relating to the application of the appraisal process are routed electronically to Stehle Associates where either Mark Carlile or Tony Miller helps the originator to address whatever issue has been raised.
7. Training in the use of the software was on the basis of 'just in time' and consisted largely of one-to-one training delivered in the style of the IITT TAP method.

8. To satisfy an entirely unrelated need, all documentation and training materials would be packaged as a 'model solution' and used in the training of IT staff and others in the disciplines of Project Management.

v) A Software Prototype – Traditional systems development methods rely on an accurate and complete analysis of requirements and the successful communication of these to the stakeholders and players. Such methods were considered inappropriate for this project as they would take too long and would require the involvement of people who could not or would not be involved. The decision to build a prototype was one of the most influential in making it possible to deliver the system on time and within the budget allowed. A piece of software called SALSA (unfortunately not available in this country) was used by Grahame Stehle to build and demonstrate a full working prototype in less than three days of effort. The prototype was demonstrated to, and in some cases used by, members of the project board and team and in less than one day the requirements of the system as represented by the prototype were refined and agreed. Only one aspect of the database and one report have been changed in the four months that the system has been used since the prototype and requirements were agreed.

vi) Targets for Usability and Ease of Learning – It is quite common in systems development to hear of requirements for 'ease of use' and 'ease of learning'. Unfortunately most projects fail to define what these mean and so, unsurprisingly, many systems are delivered that elicit complaints about both of these from the people who use the systems and from those who do the training. Three aspects of the strategy meant that our targets for usability and ease of learning were achieved.

Firstly, it was decided that in the design and construction of the system, users would not be exposed to a plethora of codes and unfamiliar terminology. This meant that the system would talk the language of HR and use familiar and meaningful names and descriptions in its interface with the system user. As a result the system is intuitive and therefore easy to use and has been implemented using one-to-one training and with only a handful of sessions lasting no more than 30 minutes to one hour.

Secondly, it was decided that, as this was essentially a training project, a trainer would be used to construct the database and to write the programs for data entry and reporting. The programmer – Ray Krstic – understood perfectly what usability meant and had personally had trouble when training in the use of systems that had been designed without training in mind. Working from the prototype, Ray designed and built a software system rated by HR staff as 'easier to understand and use than any other system employed in the HR department'. Ray worked to a target of no more than five to ten minutes of learning to achieve full competency in the use of any one of the system's many functions.

Thirdly, it was decided that, like the software, the business processes also had to be easy to understand and apply. To achieve this, the processes were designed and communicated using techniques that Stehle Associates had already and successfully introduced to management and staff as a by-product of previous projects and IT systems training. These techniques combine diagrams with text and are based on a proprietary systems description language developed at the University of Michigan in the USA. This language ensures that process descriptions are consistent in content and form and eminently suitable for use by non-technical people.

4. Results

The conduct of the project and its results have been widely acclaimed within the Charles Stanley organisation. The Board of Directors and in particular the Director and staff responsible for Compliance are satisfied that the requirements of the FSA have been met, and in some cases exceeded, by this project.

Charles Stanley and Stehle Associates believe that no other organisation or approach could have delivered the outcomes that were required, and achieved, in the timescale and within the budget.

The facts are:

- The project was completed within the timescale and at slightly less than the budget of £70,000 set by Charles Stanley. A management-consulting firm would have required around £180,000 for the same result.
- Compliance is worth between £x,000 and £y,000 per year in easily avoided aggravation and so by this measure the return on investment (ROI) is achieved in nn months.
- The FSA has the power to stop an organisation trading which in the case of Charles Stanley would cost around £z,000 per day and seriously damage its reputation and standing in the financial arena. Using this measure, the ROI is achieved in less than (*confidential*)!
- Fines arising from inadequate training of management and staff have been levied by regulatory bodies like the FSA and are front-page news when they occur. In the last two years, two organisations each received fines in the region of £1M.
- Minimum disruption to normal business – in fact, no reports of disruption as was required by a stated constraint.
- In certain areas the project has exceeded the requirements of N2 by recognising company specific requirements on top of the legislative requirements and then by developing appropriate processes and training to secure the benefits. In particular, the system provides competency and performance ratings for each department and the business as a whole and points to specific competencies in which there is a weakness and where early remedial training is required. The tracking of activities associated with Continuous Professional Development also exceeds the requirements of the FSA.
- The IT system, which was specified and developed in 30 days, consists of:
 - Responses to 40 business events
 - 19 database tables
 - 48 reports and many more queries to make these work
 - 14 data entry functions and many queries and sub-forms to make these work
- 55 department managers and 13 directors were trained
- 300 staff received instructor-led training over a period of 14 working days
- All other staff have access to self-study videos and handbooks via Enfocast. At some branches VHS tapes and hard copy have also been provided.

5. Summary

Stehle Associates has demonstrated how a professional approach to developing a business system, and then applying an innovative combination of training methods, can address a critical business need. That this has been achieved in difficult circumstances, on time and at a price that is significantly less than other organisations would have charged (assuming that they could actually have undertaken the work) only emphasises the success of this project.

Imagine the situation and the challenges faced by the project team:

- Critical business need with serious consequences should the project fail
- The power of the FSA to fine or even close the business, whatever the excuses, until such time as compliance is achieved
- No existing processes, software, or culture, on which to base the work to be done
- No in-house resources, meaning that all the experience and skills for this project had to come from outside
- A board and management team totally immersed in the acquisition and integration of two other stock broking firms
- Market conditions that dictate saving money not spending it
- A very modest budget provision together with externally imposed timescales and changing constraints on training delivery time as the project proceeded
- A business climate that was all-consuming for the Board and Management Team

We believe that our focus on three key factors – the necessity of achieving compliance, the short timescales and the small budget – were the major contributors to the success of the project. When resources and funds are abundant, any training team can be innovative in its approach to addressing the needs. In this project, both time and money were serious constraints on what could and could not be proposed, let alone employed. The appraisal process, the information system and the consequent training were conceived and built as a package, all focused on the required outcomes.

The solution has provided Charles Stanley with three important things:

1. The key outcome of compliance with the requirements of the FSA
2. Management and staff who are trained in performance appraisal and who, through written materials and videos delivered at the desktop, can refresh their skills at any time and at no further cost to the business
3. An information system which will enable Charles Stanley to build a workforce whose inventory of skills precisely matches the needs of the organisation and the environment in which it trades – an invaluable facility for the future success of the company

Perhaps the ultimate test of any training is whether those trained can apply their newly acquired skills in the field. Without exception, this has been the case. Use of the help line is sporadic. There is no pattern in the requests received and this indicates across-the-board success in the training that has been given.

Mark Carlile, Head of HR at Charles Stanley and Project Sponsor writes:

Stehle Associates was involved in other IT/IS training projects at Charles Stanley before I joined the firm. I had heard good reports of their training from other managers and therefore decided that they had to be contenders for this work. After meeting with Grahame Stehle and Dr Tony Miller and having sampled their training personally, I realised that Stehle was an organisation that could deliver a high quality result under challenging circumstances. I also knew that I needed a training company that could deliver novel solutions at very competitive rates.

My job has been to introduce for the first time in Charles Stanley a formal HR function, and this has meant that throughout the training and competencies project I have been required to wrestle with a myriad of other commitments. Whenever possible I participated as a team member but had to rely heavily upon Stehle to set the pace and to make necessary decisions to reduce the risks and expenditure and to enhance the benefits obtained. I work with very limited resources. We are team of just four people including myself. One of who, Tania Thorpe, the Training Administrator, was brought in specifically to manage the data, prepare reports and administer the post-project training needs arising out of the first annual appraisal that we will complete in November.

Although Charles Stanley already had a payroll and staff records system, it was not capable of meeting the requirements of the FSA's Training & Competency regime. Because there was no formal appraisal system within the firm, it was necessary for Stehle Associates to design a very comprehensive training programme that would not only introduce the concept of appraisal and Training & Competency to Charles Stanley, but also bring both managers and staff through a major shift in culture and up to speed in just one quantum leap. Stehle Associates managed this entire process with very little conflict and with complete acceptance by every employee.

Both staff and managers alike have praised the methods by which the training was delivered. In particular, they appreciate the emphasis on building people up for success rather than a backward looking approach based upon criticism of an individual's past performance. In the case of employees, Stehle Associates dealt with any concerns and apprehensions in a sensitive and understanding way.

The diverse groups of staff that make up Charles Stanley have their own challenges in the sense that a number of our stockbrokers are self-employed and, to that extent, introducing appraisals for them was another area of potential conflict. Stehle Associates met this and every other challenge in a mature and constructive manner.

We have been using the software continuously for the last four months. The software satisfies all the functional requirements, is easy to use, and is reliable in operation. Stehle trained my administration staff to use the software, and to correctly action the information it produces. This was done quickly through a series of short and focussed, one-on-one sessions. The software precisely models and supports the processes that everyone is now expected to use and after I and my staff had attended the sessions covering the setting of objectives, conducting appraisals, and being appraised, we realised just how seamlessly the entire process had been designed.

I have recently attended a seminar organised by the FSA and delivered by Professor David Jackman, the FSA's Head of Industry Training and the author of the Training and Competency rules. I learned that with hindsight the FSA now recommend that such a project be based upon the concept of 'joined up processes' for CPD, Training and Competencies, and Performance Appraisal. This recommendation is exactly what Stehle Associates recommended in January of this year and exactly what they have been able to achieve. It was made very clear to me by the questions asked by senior HR staff from other organisations that we were ahead of many in the thinking behind and in the execution of this work.

Obviously, some problems were encountered along the way but in each case, Stehle Associates overcame these in a professional and efficient manner. In some cases, these problems had been anticipated, and addressed, in the risk management portion of the project plan.

One particular challenge came from the firm's Branch Managers who see themselves as running their own business units and did not take kindly to the thought of being assessed or of having to conduct staff appraisals. However, because of the professional approach and quality of training provided they all came to appreciate the importance of this project and are now totally committed to performing their role.

At a previous employer, I worked with Andersen Consulting (now Accenture) to develop the processes and documents for an appraisal system. In this project, no training or systems development was required. The fees for this were in the region of £60,000. For the Charles Stanley project, I estimate that Accenture's fees would have been in excess of £150,000 for the project work and around £45,000 for the training; two and half times what we have spent under the guidance of Stehle.

I, other managers, and the directors of Charles Stanley, consider this project to have been an unqualified success and places us well ahead of other stock broking firms in the way we have implemented the FSA legislation. Stehle Associates has achieved everything we needed to do and more. Their work has established a platform for all future training and other staff development within the firm and as far as I am concerned, Stehle Associates will be very much part of that ongoing process.

I believe that Stehle Associates fully deserves the recognition of the Institute for their outstanding achievements on behalf of our firm.

6. Appendices

Appendix 1 – The project team

Appendix 2 – Extract from the project plan

Appendix 3 – Production script for the video ‘How to Set SMART Objectives’

Appendix 4 – Reference material for the use of the software

Appendix 5 – Overview of the database supporting the application

(Detail of appendices has been removed for reasons of confidentiality.)